

SECTION 1: EXECUTIVE SUMMARY

In the September Transition Plan Report, Unitil provided details regarding the two major components of Unitil's Transition Plan to complete the integration of Northern Utilities, Inc. ("Northern") and Granite State Gas Transmission, Inc. ("Granite") into the Unitil system of companies. The first component is the Transition Services Agreement ("TSA") between Unitil and NiSource and its affiliates, including Bay State Gas Company ("Bay State"). The TSA is an integral component of the Transition Plan because it will provide for the smooth transition of Northern and Granite to Unitil by ensuring that there is no interruption or diminution to the quality of service to customers as Northern and Granite are fully integrated into Unitil. The second component is the Go-Live plans prepared as part of the overall Business Integration Plan ("BIP"), which is being coordinated between Unitil and NiSource to bring together all of Northern's and Granite's operations within the business processes of Unitil. The September Transition Plan Report also included a discussion of the transition services and integration budgets including actual expenditures through August 31, 2008.

This October Transition Plan Report presents Unitil's efforts to complete the regulatory approval process and bring the transition and integration of Northern and Granite into its final documentation, planning and testing stages. The report also provides an update on the status of the TSA and Go-Live planning and activities as well as an overview of customer and employee communications.

As of October 15, 2008, the status of the regulatory approvals follows:

- On October 6, 2008, the Maine Public Utilities Commission announced its approval of the acquisition at its deliberative session. As of October 15, Unitil is awaiting the final order.
- On October 10, 2008, the New Hampshire Public Utilities Commission issued its final order approving the acquisition.

- As of October 15, 2008, the Massachusetts regulatory process is in the final stages of briefing. Unitil is seeking a final order from the Massachusetts Department of Public Utilities approving the acquisition by November 3, 2008.

Both the New Hampshire Public Utilities Commission and the Maine Public Utilities Commission have also approved long term debt financing associated with the acquisition. Pending the timely receipt of all necessary regulatory approvals, Unitil and NiSource have agreed to target a formal closing of the transaction for Monday, December 1, 2008, resulting in a month-end close.

From Unitil's and NiSource's perspective, a month-end transaction close date and cutover has several advantages including a more efficient cutover of customer and business support functions as well as a clear demarcation for employee payroll and benefits administration. Another significant advantage of the month-end cutover is the transition of financial reporting and cash management responsibilities - NiSource "closes the books" as of month-end and Unitil assumes financial reporting responsibilities as of the beginning of the month. As a result, a month-end close and cutover is preferable to a mid-month close and cutover if it can be accommodated by the state regulatory approval timeline. Unitil will work with NiSource to reassess the closing and cutover dates should the regulatory approvals (including expiration of the respective appeal periods) extend beyond mid-November.

The services to be provided by NiSource through the TSA will be defined by the end of October and a working draft agreement will be completed by the first week of November. In addition, the team leaders are documenting and testing their Go-Live plans with a particular emphasis on the tasks required for the days before the closing and the days and weeks after the closing.

This October Transition Plan Report includes a description of updates to the Go-Live plans as well as a summary of transition costs and integration expenditures. With respect to

transition costs and integration expenditures, actual amounts continue to remain within budget. Overall, the Go-Live plans continue to be streamlined and fine-tuned, primarily driven by the decision to move the transaction close date to the end of the November fiscal month.

The documentation, development and testing of the processes relied upon to produce work order scheduling, gas operations and maintenance management reports and emergency response is proceeding on schedule. Also, the ability for Unitil to independently provide public and management financial reports, and to provide back office services to Northern's and Granite's gas company functions, is currently a major focus of the integration and cutover testing and execution effort. These back office support processes and systems include: general ledger accounting, construction accounting, plant accounting, payroll, accounts payable and cash. The development of most of these systems is in the final stages of completion and Unitil has begun testing the operation and cutover of these support processes from NiSource and Bay State. Unitil anticipates that the majority of these processes and systems will cutover on and around the transaction closing date and therefore will require only limited transition services from NiSource and Bay State.

Each of the back office support functions is in the final stages of updating their cutover schedules and these schedules are being consolidated into a "Weekly / Daily Milestones" master schedule included in Appendix E. The master schedule displays the events that will take place each day during the period leading up to the targeted closing date, Monday, December 1, 2008, and for each day in the weeks and months following the closing. In the November 15, 2008 Transition Plan Report, the Weekly / Daily Milestone schedule will be fully populated according to the executable cutover schedules of each of the Functional Integration Teams ("FITs").

Although most of Northern's and Granite's gas operations functions will be assumed by Unitil on the day of closing with limited transition service support from NiSource and Bay

State, there are two major functions that are anticipated to cutover in the months after the closing and those functions will immediately receive transition services from NiSource and Bay State following the closing: 1) customer services and call center operations (currently scheduled for the first quarter of 2009) and, 2) the gas dispatching function (currently scheduled for the second quarter of 2009). As discussed previously, these functions will not cutover until personnel have been trained and the systems that support these functions have been tested and implemented. Initial testing of the information systems that will support customer services and call center operations has begun and the schedule of the transition of the customer services function from NiSource and Bay State by the end of the first quarter 2009 is achievable. The gas dispatch transition services will continue until Unitil is prepared to perform this function independently.

This October Transition Plan Report also includes discussions of two areas that Unitil believes are of particular interest to the Commissions: 1) Customer Communications Plan (Section 3C) and, 2) Employee Communications (Section 3D). Customer communications is the subject of a comprehensive plan that will begin before the transaction closes and continue for a period after the cutover of Unitil's customer information system and beyond. The discussion of employee communications summarizes the efforts that have taken place to communicate with the Northern and Granite employees who will join Unitil and focuses on employee benefits and the 2009 open enrollment process.

The November 15, 2008 Transition Plan Report will provide the Maine and New Hampshire Commissions with the final pre-closing update, as of two weeks before closing, of the specific executable tasks and milestones to accomplish the transition of Northern and Granite. Unitil will continue to provide monthly Transition Plan Reports until the entire transition is completed in 2009.